

**DEPARTMENT OF PUBLIC WORKS
LEASING UNIT**



THE LEASING PROCESS
An Overview

INTRODUCTION

◆ The purpose of this pamphlet is to provide an overview of the Department of Public Works' (DPW) leasing function, its goals and objectives, and a summary of the process, which will help the reader understand the steps involved in negotiating leased space for the State of Connecticut.

The leasing process begins after the planning and budgetary approval process has been completed. *Prior to the Leasing unit's search for space, state agencies must receive authorization through the Statewide Facility and Capitol Plan (FACCAP) and/or Emergency Certification via DPW Facilities Planning Unit.*

DPW VISION

◆ To create for and with our client agencies innovative and responsive physical environments, which support and enhance their workplace missions.

DPW MISSION

◆ To be the leader in providing quality facilities and in delivering cost effective, responsive and timely services to state agencies in the areas of planning, design, construction, facilities management, leasing and real property disposition. With our diverse, competent workforce, to partner with our customers and industry providers to make the best use of the State's resources.

LEASING PROGRAM OBJECTIVE

❖ The *objective* of DPW Leasing is to lease property and to assign required space to state agencies in accordance with established State statutes and departmental policies and procedures at the most economically advantageous terms and conditions to the State of Connecticut.

Our goals are:

- To assist state agencies in determining space requirements.
- To conduct extensive site searches for suitable space.
- To maintain a current inventory of available space.
- To advertise for space needs of 2,500 square feet or more in accordance with state statutes
- To review prospective sites with state agencies.
- To conduct skillful negotiations to obtain the best transaction possible for the state.
- To ensure completeness and accuracy of file documents.
- To prepare detailed and complete submissions to the State Properties Review Board.
- To prepare lease documents in a form acceptable to the Office of the Attorney General.
- To perform on-site inspections to ensure renovations are performed in accordance with approved plans and specifications.
- To receive and expedite complaints from tenant agencies relative to the terms and conditions of the lease agreement.
- To conduct lease compliance reviews each year to ensure lessors comply with their responsibilities.

SUMMARY OF LEASING PROCESS

◆ For existing leases, DPW Facilities Planning notifies agencies eighteen (18) months in advance that their lease will expire, and requests a decision regarding the course of action the agency wishes to pursue, e.g. remain at the leased facility, attempt to find alternative space, etc. If there is a continuing need for leased space, the agency forwards a Request for Space (RFS) form to DPW Facilities Planning. These forms provide DPW with information concerning the number of personnel to be located in the leased space, the number of parking spaces needed, and any special requirements an agency might have (hearing rooms, equipment rooms, conference rooms, labs, data processing requirements, etc.). Once received by DPW Facilities Planning, these forms are reviewed to verify whether the space requested by the agency has been included in the State's current Facility and Capital Plan (FACCAP) and adequately meets agency needs. If the space request has not been included in the FACCAP plan, the requesting agency must prepare an emergency certification statement justifying the critical need for the space, and explain why this information was not included. Emergency certification requests require approval from the Office of Policy and Management (OPM). **Without OPM's approval the Leasing process cannot begin.**

Once DPW Facilities Planning has completed its review, which includes such analyses as whether existing state-owned or leased space is available to meet the agency's needs. If the request contains vacant or proposed positions, DPW Facilities Planning sends the space analyses to OPM budget for their confirmation of the staffing levels. Upon their sign off on the number of positions, DPW Facilities Planning sends the entire package to the requesting agency's Commissioner for review and approval. DPW's Administrator, Leasing and Property Transfer, then reviews and if appropriate signs the RFS. It is then sent to DPW's Commissioner. The Commissioner reviews the material and upon his approval, if the request is within FACCAP or less than 10% more than approved, DPW Facilities Planning sends the approved RFS and space analysis to Leasing. If the requested exceeds 10% or is not in FACCAP, DPW Facilities Planning forwards it to OPM. The request is received at OPM's Assets Management Unit for their review and approval. Upon their approval, the request is sent to the Secretary of OPM for final decision. If the Secretary denies the request, DPW and the agency must work to develop a proposal that is acceptable to OPM. **OPM approval must occur prior to the site search process.**

Upon approval from OPM, DPW Leasing initiates the search process. If more than 2,500 square feet is needed, state statute requires the placement of a newspaper advertisement (C. G. S. Sec. 4b-34). If the space request is less than 2,500 square feet, the property agent researches the space inventory file to determine the availability of suitable space. If no suitable space exists, an ad is prepared and placed according to the above procedure. The ad, which is drafted by Leasing, is forwarded to DPW Procurement for placement.

Proponents are given between fourteen (14) and thirty (30) calendar days to respond to the advertisement. Late proposals are not considered unless all other proposals have been considered and rejected. Once the closing date has passed, the DPW Procurement

forwards the package of responses directly to DPW Leasing. Once the Leasing Supervisor reviews the responses and gives the responses to the property agent, he/she selects those locations which meet the general requirements of the advertisement, e.g. amount of square feet, parking, geographical location, etc., and an initial site inspection is conducted by the agent and a representative(s) of the requesting agency.

Once the sites have been reviewed and visited, the agency completes the "Initial Site Evaluation Proposal" form indicating a preference for a particular location(s) and whether or not the site offering appears to be acceptable or unacceptable. These forms can be completed with the property agency or individually. They are signed by the agency and forwarded to DPW Leasing.

The property agent reviews all agency comments. The property agent also meets with the Leasing Supervisor to discuss the proposed sites. A final decision is made between the agency and DPW Leasing regarding sites to be given further consideration. *The objective is to narrow down the field of competition to two (2) or three (3) sites that are generally acceptable to the State for contemplative use by the agency.*

At this point, the negotiation process begins. For new locations, a proposed layout as well as plans and specifications outlining the agency's needs are developed either by the agency or by the property owner which are used by the property owner to assist in preparing a firm proposal. DPW-Teams must be consulted by Leasing for architectural, engineering, energy or code assistance if major renovations are involved (over \$500,000).

General terms and conditions are discussed with the owner. The owner will submit a proposal to DPW Leasing, which is reviewed by the property agent. The property agent proposes counteroffers when it is determined that the owner's proposal is too costly or does not conform to the specified requirements of the agency. Negotiations between the property owner and the property agent continue until either an agreement is reached or an impasse forces the property agent to pursue other sites.

While the property agent is responsible for ensuring that the agency is appraised of progress concerning lease negotiations, **it is critical that the agency refrain from dealing directly with the owner or visiting sites without authorization from DPW.** Contact with the owner of a potential site can only cause confusion and delays, and may unintentionally mislead or raise the expectations of the property owner. ***It is also a Class A misdemeanor*** (see Sec. 4b-27 of the C.G. S.).

No person affiliated with any requesting agency shall discuss outside of that agency its real estate needs or interests prior to formal notification to the Commissioner of Public Works, which authorization shall be filed with the review board; nor shall anyone with knowledge of said needs gained as a result of his employment by the state disclose any information regarding state real estate needs to anyone except as authorized by the commissioner. Anyone who discloses any such information without authority by the commissioner before said information is made public by the commissioner shall be guilty of a class A misdemeanor.

Once there is agreement between the property owner and the property agent, and once the property agent has discussed the site selection with the Leasing Supervisor, the property agent drafts a lease using the DPW Standard Lease form. The draft lease is prepared by

the Paralegal Specialist for signatures after internal reviews are completed. After review by the Administrator of Leasing and Property Transfer and the Supervisor, Leasing, the lease is first sent to the property owner for signature and then to the agency, DPW Commissioner and OPM for review and signature. Once the lease is approved and signed by OPM, the property agent then prepares the Lease Summary package (which includes all supporting documents such as the space analysis, the Initial Site Evaluation forms, the advertisement, plans and specifications, code compliance review, etc.). The package is reviewed for completeness and then signed by the Leasing Supervisor and the Administrator of Leasing and Property Transfer and sent to the State Properties Review Board (S.P.R.B.) for its review and approval.

The Board's Executive Director reviews all items preparatory for presentation to the Board. If the Board has questions or concerns relative to the proposal, it may direct the staff to seek additional information. The Board may also request the presence of the Administrator, Leasing and Property Transfer and/or the Leasing Supervisor and the property agent before the Board. In addition, the Board may conduct a site visit as deemed necessary. If, upon review, the Board still has concerns it may return the package to the DPW Leasing and suspend its approval. In this case, the Leasing Supervisor reviews the file with the property agent to assess the nature of the Boards' concerns and comments. Appropriate action is taken to address the concerns and the package is then resubmitted for final approval.

When the S.P.R.B. approves the Lease package, it then signs the lease document. The lease document is now ready to be sent to the Assistant Attorney General (AAG) assigned to DPW for review and final signature by the Attorney General as to form.

Upon return of the completely executed lease, the original document is sent for recording to the Clerk of the town where the leased space is located. Additional copies are sent to the requesting agency, the State Properties Review Board, etc. **Any renovation work that is required to be completed by the lessor can be started at this time.** If there is no renovation work required, or if the renovation work has been completed and inspected by the property agent and found to be complete, the property agent prepares a Rent Control Card which is sent to the business office of the occupying agency or DPW Financial Management unit if the leased space is within the City of Hartford. This Rent Control Card is the indication to the occupying agency that the lease has commenced and rent will be processed for payment.

It is the responsibility of the agency to contact the Department of Administrative Services for the installation of any telecommunications and any necessary utility company for commencement of service.

The same procedure is to be followed when an agency is vacating the premises, including notifying the Business Office and utility company to ensure that the State is not incurring costs for which it is not responsible.

LEASE COMPLIANCE REVIEW

◆ In addition to their leasing function, DPW Leasing is also responsible for lease compliance. Per statute, lease compliance reviews are conducted at all leased facilities at least once a year. This is to ensure that both the tenant agency and lessor are living up to the terms and conditions of the lease.

As problems occur the DPW Lease Compliance Specialist investigates the complaints, assesses who is responsible for correcting the problems and recommends an appropriate course of action to the Leasing Supervisor and tenant agency.

APPLICABLE STATE STATUTES

- 4b-1 Duties of commissioner
 - 4b-3 Commissioner of Public Works' powers in state realty transactions
 - 4b-4 Restrictions on employees ...
 - 4b-21 Purchase, sale or exchange of state land ...
 - 4b-22a Easements, Grant and acquisition
 - 4b-24 Commissioner of Public Works' duties re state realty...
 - 4b-26 State realty contracts, compliance and enforcement...
 - 4b-27 Disclosure of state realty needs. Unauthorized disclosure class A misdemeanor.
 - 4b-30 Offices for state agencies. Leases. Compliance.
 - 4b-31 Colocation and integration of human services.
 - 4b-32 Renewal of state leases.
 - 4b-33 Disclosure of persons having financial interest in property leased by state.
 - 4b-34 Advertising for space. List of prospective lessors. Space inventory....
 - 4b-35 Lease of state-owned land to private developers. Lease back with option...
 - 4b-37 Terms of option to buy in lease agreement.
 - 4b-38 Lease of state-owned land or buildings for municipal or private use.
 - 4b-46 Property subject to long-term financing contract exempt from property tax.
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